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STRATEGIC INNOVATION OF PROFESSIONAL ACCOUNTING FIRMS TO COMPLETE GLOBALLY

This research studied the strategic innovation of professional accounting firms' competitiveness in order to compete globally. The major conceptual framework for this strategic innovation study involved the approach of the products or services evaluation model, that is using a structure created from the literature that identified the variables that influenced the development of a workable strategic innovation system. This structure identifies and contains the variables and hypotheses generated from these relationships and includes such items as product quality perceptions, services quality perceptions, and firm performances. The data resources were surveys followed by post-survey interviews to clarify any issues raised from the survey questionnaire. All were designed to address the questions analysing the firm's inner structures, as well as the activities that affect the firm's competitiveness level. As a result, this research focuses on strengthening of accounting firms' competitiveness in Malaysia.

Keywords: accounting firms, competitiveness, Malaysia.

Едвард Вонг Сек Кин, Гурчаран Сінх, Чеок Муї Ї СТРАТЕГІЧНІ ІННОВАЦІЇ ПРОФЕСІЙНИХ БУХГАЛТЕРСЬКИХ ФІРМ У КОНТЕКСТІ ГЛОБАЛЬНОЇ КОНКУРЕНЦІЇ

У статті досліджено стратегічні інновації професійних бухгалтерських фірм з точки зору глобальної конкурентоспроможності. Основа дослідження — модель оцінювання товарів або послуг, яка використовує структуру, описану в попередніх дослідженнях, з визначенням змінних, що впливають на розвиток реальної стратегічної інноваційної системи. Ця структура визначає і містить змінні і гіпотези, отримані з цих співвідношень, і включає такі елементи як сприйняття якості продукції, сприйняття якості послуг, продуктивність фірми. Джерело даних — опитування і подальші інтерв'ю для уточнення питань, піднятих в анкеті. Всі вони були призначені для вирішення питань аналізу внутрішньої структури фірми, а також заходів, які впливають на рівень конкурентоспроможності фірми. Дослідження спрямовано на підвищення конкурентоспроможності бухгалтерських фірм Малайзії.

Ключові слова: бухгалтерські фірми, конкурентоспроможність, Малайзія.

Рис. 2. Таб. 3. Літ. 6.

Эдвард Вонг Сек Кин, Гурчаран Синх, Чеок Муи Йи СТРАТЕГИЧЕСКИЕ ИННОВАЦИИ ПРОФЕССИОНАЛЬНЫХ БУХГАЛТЕРСКИХ ФИРМ В КОНТЕКСТЕ ГЛОБАЛЬНОЙ КОНКУРЕНЦИИ

В статье исследованы стратегические инновации профессиональных бухгалтерских фирм с точки зрения глобальной конкурентоспособности. Основа исследования — модель оценки товаров или услуг, которая использует структуру, описанную в предыдущих исследованиях, с определением переменных, влияющих на развитие реальной

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стратегической инновационной системы. Эта структура определяет и содержит переменные и гипотезы, полученные из этих отношений, и включает в себя такие элементы как восприятие качества продукции, восприятие качества услуг, производительность фирмы. Источник данных — опросы и последующие интервью для уточнения вопросов, поднятых в анкете. Все они предназначены для анализа внутренней структуры фирмы, а также мероприятий, которые влияют на уровень конкурентоспособности фирмы. Исследование направлено на повышение конкурентоспособности бухгалтерских фирм Малайзии.

Ключевые слова: бухгалтерские фирмы, конкурентоспособность, Малайзия.

Introduction. This study examines the role of firm's inner structures, as well as the activities that affect firm's competitiveness level, in the establishing a workable strategic innovation system for accounting firms in Malaysia. Malaysian government continues to place emphasis on the services sector to be the key driver of economic growth and innovation. Malaysian services sector's GDP growth target of 6% per annum under the 10th Malaysian Plan will be driven by private sector investments which require private sector spending to grow by 12.8% per annum as compared to 11.2% per annum under the 9th Malaysian Plan (Equity Beats, MIDF Research Reports dated 11th June, 2010). As a result, the reflective and positive outlook for accounting firms is in their strategies of improving the growth in their competitiveness.

The service sector has been the largest contributor to GDP historically and it continues to do so in 2012 onwards. The service sector represented 57.3% of the economy and is valued at RM 348 bln (Economic Report 2010/2011, Ministry of Finance Malaysia). 7 of 9 Malaysian National Economic Models (NEM) announced in the 10th Malaysian Plan Model (NEM) is in the service sector. This sector plays a key role in facilitating the economy and is the main contributor to GDP and employment and is increasing, particularly in the world of trade. Malaysia has identified the service sector as its next engine of growth (NEAC).

This study reviews professional accounting firms in Malaysia. The study also focuses upon international professional accounting firms as being in the fast-cycle markets and why these firms need to obtain a sustained competitive advantage within these markets in order to create market inertia and put themselves into an aggressive global competitive position.

The goal of the project is to develop a model to measure the role of a firm's products and services components on firm's internal structures, where little research has been carried out. For example, the products in this research refer to revenue, number of accounts, and contracts.

This paper is divided into 4 sections, the first section deals with the current literature concentrating on theoretical strategic innovations in the areas of product, services, and competitiveness. The second deals with the scope of the research, the third deals with the research methodology used, the fourth deals with the findings and the avenues for further research.

Literature. The study is an important step towards understanding of Malaysian professional accounting firm's inner structures. According to Fortin & Greenlee (1998), the firm's inner structure analysis of activities affects firm's competitiveness

level that can increase firm's performances. The intent in examining these items is to determine the areas where a firm has potential to create and capture value. The findings of this research can also contribute further to the development of value-creating activities in services, an area where research is currently lagging behind practice.

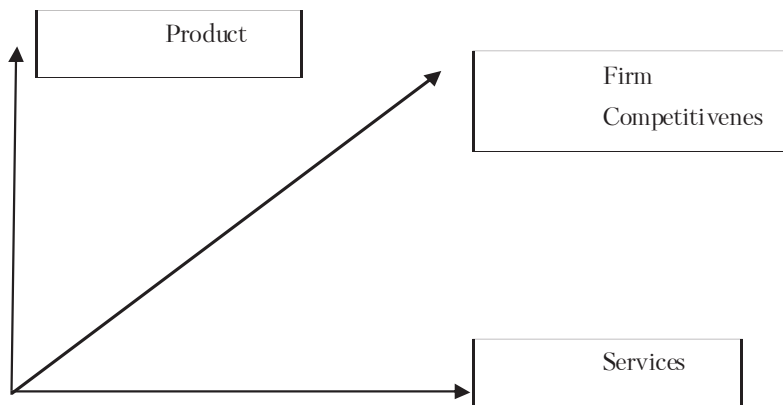


Figure 1. Diagram showing firm competitiveness in 2 dimensional products/services evaluation framework.

Fortin & Greenlee (1998) suggested that firms that provide good quality products and services tend to be more competitive. Using the two-dimensional products and services evaluation framework, Figure 1 shows the competitive distribution of products and services. Hence, firms with better products and services performance has positive effects upon firm's inner-structure, i.e., provide a competitive edge for a firm.

Biema and Greenwald (1997) suggested that both products and services play a vital role in firm's inner structures, hence leading to firm's competitiveness. The findings of this research will indicate that products and services come hand-in-hand. This can be seen as inputs to SME professional accounting firms to cultivate new and superior products and services strategies. Hence, performing the value-creating activities allows competitors to compete. This research examined 20 groups of accounting practices companies, all based in Selangor, Malaysia, and the processes of establishing a workable strategic innovations system.

Scope of Research. The aim of this study is to identify a link between the role of products and services components of a firm's inner-structure, and upon the process of developing workable strategic innovations system. To achieve this goal, it is necessary to study the status quo and suggest improvements to cater for the association between business strategic orientation, core competences and to ensure that Malaysian professional accounting firms are performing at the competitive advantage level. Hence, the more specific objectives are:

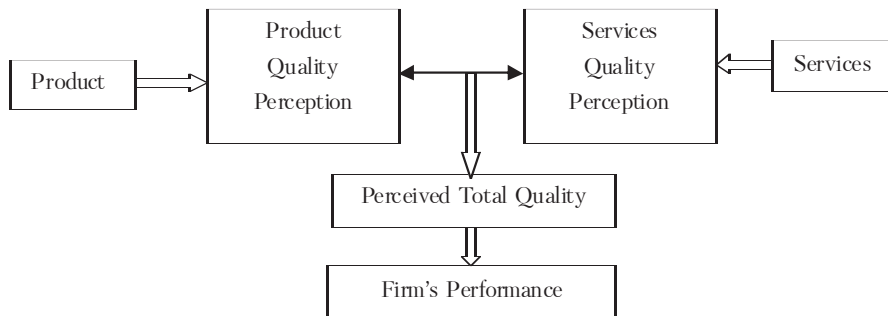
I. To investigate the inner structure of international professional accounting firms based upon the value chain analysis model.

II. To explore the role of products and services component in professional accounting firms.

III. Compare the strategies employed by local vs. international firms;

IV. To examine the relationship between inner structure and products/services using the product/service evaluation frame.

The study examines significant differences between local and international firms with reference to their products and services strategies.



**Figure 2. The theoretical framework of the study.
(Adapted from Fortin & Greenlee, 1998).**

The theoretical underpinning for this research is based on the Fortin & Greenlee (1998) product/service evaluation framework. This framework investigates the activities that can enhance the quality of professional accounting products and services directly and indirectly, as quality involves meeting or exceeding customer expectation in the products and services offered (Heizer and Render, 1997). As a competitive dimension, quality is as important in the services component as it is in the products component (Biema and Greenwald, 1997). Figure 2 shows the effects of 2 cross-category item, a product and a service each capable of performing the same functions and the variables related to products and services quality performance that firms could provide. The analysis of the products and services are divided into 3 sections. They are: (1) Products and services performance; (2) Employees' level of involvement, and (3) The competitive method used.

The data collected from the questionnaires will be analyzed, and a cross-tabulation analysis will be conducted between firm's origin with responses to the products and services performance, products and services level of involvement, and the competitive method used. Based on the above discussion, the following hypotheses are formulated:

H1: There is a positive relationship between infrastructure factors and product performance.

H2: There is a positive relationship between operations/marketing factors and product performance.

H3: There is a positive relationship between technological progress factors and product performance.

H4: There is a positive relationship between infrastructure factors and services performance.

H5: There is a positive relationship between operations/marketing factors and services performance.

H6: There is a positive relationship between technological progress factors and services performance.

H7: There is a significant relationship between firm's product and services performance.

Research Methodology. The research methodology for this study was based on the mixed research methodology approach: a survey method supplemented by interviews. Key players were identified from 30 accounting firms in Malaysia and these individuals (the regional senior managers or partners, managers, administration officers and accounting officers) were interviewed.

In addition, the survey questionnaires were adapted from previous studies, and documentary evidence and interviews were used to obtain rich process descriptions of the projects. The respondents were asked to rate on the 7-point scale their agreement or disagreement with the issues related to product quality perception, services quality perception and firm's performance (Ho, D.C.K, Cheng W.L. & Fong S.W., 2000).

Findings. In this section, the results of the statistical analyses are presented.

Table 1. Firm's inner structure variables

Firm's Inner-structure Variables	Firm's Origin Mean Score	
	Accounting firms	Significance*
Infrastructure.		
Company size and/or capacity.	2.9286	0.0017
Geographical location.	3.9286	0.1521
Financial strength.	3.1429	0.0057
Operations profit.	3.3571	0.0054
Operations/Marketing		
Management supportiveness.	3.3571	0.3473
Advisory services relationship with customers.	3.7143	0.0087
Technical services provided by staffs.	3.1429	0.0386
Work-In-Progress Management.	2.8571	0.0345
Technological Process		
Research & Development involvement.	3.0000	0.0042
Emphasis on environment and waste management.	2.7857	0.0008
Equipment automation progress.	2.9286	0.0025
Technological advancement compared to competitors.	3.0000	0.0051

Note: The mean scores are based on the scale from 1 to 5, in which "1 = Not good at all" and "5 = Excellent". The higher the mean score is, the better the firm's structural variables are.

* Level of significance using ANOVA tests.

Table 1 shows all the variables used to measure the firm's inner structure. The detailed analysis found that 3 variables, i.e., infrastructure, operations/marketing and technological process have no significant difference.

Table 2 shows the employee's level of involvement in products/services performance improvement. The results do not indicate any significant difference between the levels of involvement in products/services performance improvement as the significance value.

The correlation analysis is performed to identify the relationship between firm's inner structure and its product/services performance. Table 3 shows the relationship between firm's inner structure and product and services performance. The positive coefficient indicates a positive relationship.

**Table 2. Employee's Level of Involvement.
Products/Services Performance Measurement Variables.**

Level of Involvement	Firm's Origin	
	Mean Score	
	Accounting firms	Significance*
Advisory Products related		
New advisory product development.	3.1429	0.5721
Refining/Improving the existing advisory product.	3.5714	0.3416
Doing R&D on advisory product.	2.3571	0.0577
Improving the advisory product reliability.	2.5714	0.0645
Emphases on doing it right the first time.	3.5000	0.1021
Emphases on quality work.	3.7143	0.0366
Advisory Services related		
Involvement in productivity improvement project.	3.8571	0.8949
Efficient inventory management.	3.2857	0.6125
Reducing the advisory/operation cost.	3.5714	0.7433
Conducting training to others.	3.5000	0.6712
Monitoring the cycle time and improve it	3.5714	0.4443
Searching information by using all the resources available with the purpose of improvement.	3.5714	0.5491
Usage of telecommunication tools such as email, telephone and faxes.	4.0714	0.3312

Note: The mean scores are based on the scale of 1 to 5, in which 1 = Not good at all and 5 = Excellent. The higher the mean score is, the higher the products/services level of involvement is.

*Level of significance using ANOVA tests

**Table 3. The relationships between firm's inner structure
and product and services performance**

Structural Analysis	Correlation coefficient
H1: Infrastructure vs. product performance	0.308
H2: Operations/marketing vs. product performance	0.352
H3: Technology vs. product performance	0.238
H4: Infrastructure vs. services performance	0.318
H5: Operations/marketing vs. services performance	0.325
H6: Technology vs. services performance	0.258
H7: Firm's product vs. services performance	0.722

There is a positive relationship between all 3 firm inner structures. The study found that products performance is positively correlated to services performance. The coefficient value for services to products is 0.722.

Conclusions. The results of this study show that the impact of firm's inner structure analysis including infrastructure, operations, technology factors is significant. The statistical test of all 8 hypotheses also addresses how the effect of firm's structure process has affected the products/services performances. They also demonstrate that the firm's structures are positively correlated with products and services performances.

In addition, the results of the statistical tests confirmed all the hypotheses for which this study obtained evidence, demonstrating that firm's success factors or activ-

ities are an important method used to analyse the firm's performance. The firm's inner structure is highly correlated to firm's establishment length.

Limitations and directions for further research. The study concludes with recommendations for future strategies for accounting firms in Malaysia in attaining their organizational objectives. The findings of the study provide information and suggestions for Malaysian accounting firms and regulators such as Malaysia Institute of Accounting to implement sounder foundations of value-adding activities to create competitive advantages for all the stakeholders involved.

This research uses primary data to collect and include a larger number of variables. It also included certain variables difficult to quantify and are not easily available such as reputation and multilingual and people skills (under workforce factors). This research intends to contribute to the literature on professional accounting service sector competitiveness in services by uncovering and exploring old and new variables in greater depth.

However, further research should concentrate on bringing together theoretical underpinnings and empirical data. Hopefully, this study will advance the thinking of scholars in this direction and create interest in replicating this method of analysis and validating the findings.

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